

# **Guide to Setting up a Basic Record Keeping System**

## **Guide No.8 in the Tax Guide Series**

### **About This Guide**

This Guide has been prepared to help someone starting out in a new business or self employment venture understand how to keep basic records of income and expenditure.

#### **1. Start keeping books immediately**

As soon as you go into business, it is important for you to start keeping records. This is because it's much harder to work backwards at a later date. There are also good business reasons as well as legal reasons for keeping records.

#### **2. Advantages of keeping up to date books and records.**

It is very important that you keep records of all the income and expenditure that relates to your self employment or business. Some of the advantages of keeping records are:

- (i) Accurate records will help you determine whether you are making enough money to pay for your business expenses, as well as provide you with a living.
- (ii) Good record keeping makes it easier for other people to invest in your business.
- (iii) You will need these records to complete your annual accounts and income tax return.
- (iv) If you do not have sufficient records, your income tax return may be prepared incorrectly and you might be required to pay more income tax than you think you should, simply because you do not have any evidence of your expenses.
- (v) If your return is wrong and you pay less tax than you should, you might be liable to penalties and prosecution.

#### **3. What records should you keep?**

As a simple rule, your records should include:

- (i) A cash book (or spreadsheet) to record all money that comes into and goes out of your business or self employment activity.
- (ii) A petty cash book to record small cash expenses.

- (iii) A wages book to record all wages paid to employees and PAYE tax deductions.
- (iv) A record of your sales and any other income you receive. This is often called a sales journal or sales ledger.
- (v) A record of your purchases and any other expenses you have. This is often called a purchases journal or purchases ledger.
- (vi) A record of your business expenses on capital purchases such as plant and equipment and other assets. This is often called an asset register.
- (vii) A record of your personal drawings of goods or money. This can be recorded in your purchases ledger.
- (viii) Source documents such as receipts, invoices, cheque books and bank statements.

#### **4. How long do I need to keep my records for?**

7 years.

This means you need to keep all source documents and other records that you have used to prepare your income tax return for 7 years.

#### **5. Cash Book**

An example of a cash book is shown below. To complete a cash book, you will need to use the following records:

- (i) Cheque book stubs;
- (ii) Bank deposit books;
- (iii) Bank statements;
- (iv) Copies of your invoices;
- (v) Copies of your suppliers invoices;
- (vi) Receipts for cash purchases;

Recording the type of expense or receipt on a regular basis will help when you are filling in your income tax return as the cash book will have already classified expenses under their various headings. There is no limit to the number of headings you can have as it will be dependant on your type of activity.

Payments						
Date	Payee	Reference Number (Cheque / Invoice)	Amount £	Type of Payment		
				Rent	Fuel	Labour
Receipts						
Date	Payer	Reference Number (Cheque / Invoice)	Amount £	Type of Receipts		
				Sales	Loan	Account Transfer

## 6. Tax Invoices

In some circumstances you may also be required to issue a Tax Invoice if you are supplying goods and services to another person in business. Tax Invoices are a means of ensuring that everybody in self employment and business is part of the tax system. If someone is not part of the tax system, they are not contributing their fair share of taxes to the community and gain an unfair competitive advantage over people who are part of the system.

Receipts						
Date	Payer	Reference Number (Cheque / Invoice)	Amount £	Type of Receipts		
				Sales	Loan	Account Transfer

## 7. Should I ask for a tax invoice?

Yes.

A tax invoice is a legal document and must show the words “Tax Invoice” and the following information:

- (i) The name and tax registration number of the supplier.
- (ii) The name and address of the recipient.
- (iii) The date goods or services were supplied.
- (iv) A description of the goods and services.
- (v) The quantity or volume of goods and services supplied.
- (vi) The total amount charged.

An example of a tax invoice is shown below.

St Helena Trading Enterprises			
Market St Jamestown, St Helena	Phone +291 1234 Fax +291 1235	<b>Tax Invoice</b> Tax Registration Number XXXXXXX	
To: James Bay Enterprises Half Tree Hollow St Helena		Date: 1st April 2010	
Quantity	Description	Unit Price	Total
10kg	Cabbages	£1.00	£10.00
20Kg	Tomatoes	£1.25	£25.00
Total			£35.00

## 8. How do I set up my books and records?

You will generally be able to buy various types of accounts books for self employed and business people from a stationery supplier. There are different books for different purposes but remember that at the end of the tax year, you will need to be able know and have evidence to show:

- (i) Your total receipts for the year plus the amount of money still owed to you for goods you have supplied or work that you have done.
- (ii) Separate items of expenditure such as stock purchases; rent; electricity; repairs etc. Schedule P50 S (see page 7) sets out all the different types of expenditure for which you will need keep a record.
- (iii) The cost of any purchases of assets, plant and equipment used in your business.
- (iv) The amount of any loans, gifts or other private money introduced into the business that is not taxable.
- (v) The amount of money you have taken out of your business for family, personal and domestic expenses.
- (vi) The value of any trading stock on hand.

## 9. Preparing annual accounts.

The annual accounts prepared by self employed and business people will differ according to the size of your activity and whether you have professional help in preparing them. However, it is important to realize that you are personally responsible for the accuracy of the information contained in them. If the accounts are wrong and you declare the incorrect profit in your annual income tax return, you will be

liable for the payment & penalties, not the person who helped you.

For small self employed and business people, the minimum requirement is a profit and loss account similar to that shown below:

Government of St Helena		Income Tax Office	
Individual Income Tax Return - Self Employment & Business Income Schedule		Tax Year Ended 31st March 20	
		P 50 S	
<b>1. Tax Registration Number</b>			
<b>2. Name</b>			
Title			
Family Name			
First Names			
<b>3. Type of Business</b>			
<b>4. Gross Sales / Income</b>			
Goods Taken for Own Use		A	£
Total		B	£
Sum of Boxes A + B. Print in C.		C	£
<b>5. Cost of Sales (if applicable)</b>			
Opening Stock		D	£
Purchases		E	£
Freight & Customs		F	£
Closing Stock		G	£
Cost of Goods Sold		H	£
Sum of Boxes D+E+F-G. Print in H.		H	£
<b>6. Gross Profit</b>		I	£
Sum of Boxes C - H. Print in I.		I	£
<b>7. Other Income</b>		J	£
Details		J	£
<b>8. Total Gross Income</b>		K	£
Sum Boxes I + J. Print in K.		K	£
<b>9. Expenses</b>			
Accounting Fees		£	
Advertising		£	
Bad Debts		£	
Depreciation		£	
Electricity		£	
Entertainment		£	
Insurance		£	
Interest		£	
Motor Vehicle		£	
Rent		£	
Repairs		£	
Salary and Wages		£	
Stationery and Printing		£	
Telecommunication		£	
Travelling		£	
Other Expenses		£	
Show Details		£	
		£	
		£	
		£	
<b>Total Expenses.</b>		L	£
Add up the expenses and print in Box L.		L	£
<b>10. Trading Profit</b>		M	£
Subtract Box L from Box K. Print in Box M.		M	£
<b>11. Other gain or loss on disposal of assets.</b>		N	£
<b>12 Net Profit</b>		O	£
Sum Boxes M + N. Print in Box O.		O	£
Attach the Schedule to your Income Tax Return and transfer the Net Profit to Item 15 on Page 2.			

If your self employment or business is only small, the only other requirement is to keep a record of your business assets such as plant, equipment and machinery. You can claim a deduction for the depreciation (wear and tear) on these items and will need to complete a depreciation schedule to work out the amount of wear and tear.

A guide on calculating your depreciation allowance has been prepared by the Income Tax Office.

People who have a large self employment or business activity will often be able to enlist professional assistance to help in preparing annual accounts. In that case, there will often be a full set of accounts to give a more complete view of the financial position of the business at the end of the tax year. The income tax law does not specifically require a full set of accounts but if they have been prepared, you should include them with your annual income tax return.

## 10. Personal records.

It's a good idea to keep your personal records and transactions separate from your business records. If you use a bank account, it is a good idea to have a separate account for personal transactions.

## 11. Simple ideas that make a difference.

Spending time to get things right at the start will help the success of your self employment or business venture in the years ahead.

- (i) Keep your cashbook up-to-date.
- (ii) Open a separate bank account for large bills and tax payments and transfer money in each week or month to cover these bills. You can also make voluntary pre payments of income tax to the Income Tax Office if you wish.
- (iii) Keep all your receipts and tax invoices together in one place. The Income Tax Office might need to ask questions about your income tax return and having your information available will save you time and worry.

Income Tax Calendar for Tax Year 1 April 2023 to 31 March 2024 and following tax years																		
	2023												2024					
	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	July	Aug	Sept
Employees PAYE due	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
Tax instalment for 2023/2024																		
Income year due																		
Annual self-assessment																		
income tax return due																		
Balance of 2023/2024 income tax due																		
Income Tax Calendar for Tax Year 1 April 2024 to 31 March 2025 and following tax years																		
	2024												2025					
	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	July	Aug	Sept
Employees PAYE due	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15
Tax instalment for 2024/2025																		
Income year due																		
Annual self-assessment																		
income tax return due																		
Balance of 2024/2025 income tax due																		

**Government of St Helena**  
**Income Tax Office**  
**April 2024**